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Major Tobacco Companies Drop Legal Challenge to Delaware's Enforcement of Tobacco Settlement

Wilmington – The major tobacco companies who make millions of dollars in annual payments to Delaware as part of a landmark 1998 settlement between the states and tobacco manufacturers have dropped a legal challenge to Delaware's enforcement of that settlement. The legal challenge, which began in 2005, claimed that in 2003 Delaware did not satisfy its obligation to regulate smaller tobacco companies that were not participants in the settlement agreement. If the companies had prevailed in the dispute against Delaware, the State had faced a potential loss of between approximately \$4.5 million and \$24 million.

"I'm pleased that we have succeeded in protecting Delaware's payments, which are used to improve public health and fund anti-tobacco education," Attorney General Beau Biden stated.

The 1998 Master Settlement Agreement (MSA) requires major tobacco companies to make annual payments in perpetuity to the States in amounts totaling billions of dollars each year. Under the terms of the MSA, Delaware and other states enacted parallel laws that regulate smaller tobacco companies that were not part of the agreement. Among these laws is the requirement that these smaller companies set aside a portion of their tobacco sales in an escrow account in an amount proportionate to the payments made to the State by the major tobacco companies. The MSA provides for a reduction of the required annual payments by the major tobacco companies to any State which fails to diligently enforce these laws in a particular calendar year.

Because the major companies' challenges are ongoing with 35 states it may be some time before Delaware receives the disputed funds which are currently being held in escrow accounts. Under Delaware law all funds received through the MSA are used for public health care purposes, including providing access to affordable healthcare and promoting healthy lifestyles.

Learn about how Delaware uses the annual Master Settlement Agreement payments it receives by visiting <http://dhss.delaware.gov/dhss/healthfund/about.html>

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